

ORIGINAL

WILLIAM A. MUNDELL
CHAIRMAN
JIM IRVIN
COMMISSIONER
MARC SPITZER
COMMISSIONER

OPEN MEETING ITEM



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RECEIVED BRIAN C. McNEIL
EXECUTIVE SECRETARY

ARIZONA CORPORATION COMMISSION 2001 APR -3 P 1:13

DATE: April 3, 2001
DOCKET NOS: W-02173A-00-0974
TO ALL PARTIES:

Arizona Corporation Commission
DOCKETED
DOCUMENT CONTROL

APR 03 2001

DOCKETED BY	
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Enclosed please find the recommendation of Administrative Law Judge Jane Rodda.
The recommendation has been filed in the form of an Order on:

WILLOW LAKES PROPERTY OWNERS ASSOCIATION, INC.
(RATES)

Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Administrative Law Judge by filing an original and ten (10) copies of the exceptions with the Commission's Docket Control at the address listed below by 4:00 p.m. on or before:

APRIL 12, 2001

The enclosed is NOT an order of the Commission, but a recommendation of the Administrative Law Judge to the Commissioners. Consideration of this matter has tentatively been scheduled for the Commission's Working Session and Open Meeting to be held on:

APRIL 17, 2001 AND APRIL 18, 2001

For more information, you may contact Docket Control at (602)542-3477 or the Hearing Division at (602)542-4250.

BRIAN C. McNEIL
EXECUTIVE SECRETARY

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 WILLIAM A. MUNDELL
3 CHAIRMAN

4 JIM IRVIN
5 COMMISSIONER

6 MARC SPITZER
7 COMMISSIONER

8 IN THE MATTER OF THE APPLICATION OF
9 WILLOW LAKES PROPERTY OWNERS
10 ASSOCIATION, INC. FOR A PERMANENT RATE
11 INCREASE.

DOCKET NO. W-02173A-00-0974

DECISION NO. _____

ORDER

12 Open Meeting
13 April 17 and 18, 2001
14 Phoenix, Arizona

15 **BY THE COMMISSION:**

16 Having considered the entire record herein and being fully advised in the premises, the
17 Arizona Corporation Commission ("Commission") finds, concludes, and orders that:

18 **FINDINGS OF FACT**

19 1. On November 28, 2000, Willow Lakes Property Owners Association, Inc. ("Willow
20 Lakes" or "Company") filed with the Commission an application for a permanent rate increase.

21 2. On December 26, 2000, the Commission's Utilities Division Staff ("Staff") notified
22 the Company that its application was sufficient and classified the Company as a Class E utility.

23 3. On February 26, 2001, Staff filed its Staff Report, and proposed that its recommended
24 rates and charges be approved without a hearing.

25 4. Willow Lakes provides water utility service to approximately 56 customers in an area
26 approximately 10 miles north of Benson in Cochise County, Arizona. All of Willow Lakes'
27 customers are residential.

28 5. Willow Lakes' current rates and charges were established in Decision No. 52851
(March 1, 1982).

 6. Willow Lakes mailed notice of its rate application to its customers on November 12,
2000, and the Commission has not received any customer complaints or comments since the
application was filed.

7. During the test year ended December 31, 1999 ("TY"), the Company experienced an operating loss of \$154, on an adjusted Original Cost Rate Base ("OCRB") of \$128,237.

8. In its application, Willow Lakes requested total operating revenue of \$31,000, which based on adjusted expenses of \$19,201, would result in operating income of \$11,799, a rate of return of 9.21 percent on adjusted OCRB.

9. Staff recommended rates that would yield operating revenue of \$23,444, operating income of \$4,243, and a 3.31 percent rate of return on adjusted OCRB.

10. Willow Lakes' present and proposed rates and charges, as well as Staff's recommended rates and charges are as follows:

	Present Rates	Proposed Rates Company	Staff
<u>Monthly Usage Charges</u>			
5/8" x 3/4" Meter	\$25.00	\$50.00	\$25.00
3/4" Meter	0.00	0.00	37.50
1" Meter	0.00	0.00	62.50
1 1/2" Meter	0.00	0.00	125.00
2" Meter	0.00	0.00	200.00
3" Meter	0.00	0.00	375.00
4" Meter	0.00	0.00	625.00
6" Meter	0.00	0.00	1,250.00
Gallons included in Minimum	6,000	4,000	0
<u>Commodity Rate</u>			
Excess of minimum – per 1,000 gallons	\$1.45	\$1.45	\$5.20
<u>Service Line and Meter Installation Charges</u> (Refundable pursuant to A.A.C. R14-2-405)			
5/8" x 3/4" Meter	\$100.00	\$100.00	\$100.00
3/4" Meter	120.00	120.00	120.00
1" Meter	160.00	160.00	160.00
1 1/2" Meter	300.00	300.00	300.00
2" Meter	400.00	400.00	400.00
3" Meter	0.00	0.00	500.00
4" Meter	0.00	0.00	600.00
6" Meter	0.00	0.00	800.00
<u>Service Charges</u>			
Establishment	\$50.00	\$50.00	\$50.00
Establishment (After Hours)	0.00	0.00	75.00
Reconnection (Delinquent)	5.00	5.00	25.00
Meter Test (If Correct)	0.00	0.00	25.00
Deposit	0.00	0.00	*

Deposit Interest – Per Annum	0.0%	0.0%	*
Re-Establishment (Within 12 Months)	0.00	**	**
NSF Check	0.00	0.00	20.00
Deferred Payment – Per Month	0.0%	0.0%	1.5%
Meter Re-Read (If Correct)	2.50	2.50	10.00

Monthly Service Charge for Fire Sprinkler

4" or smaller	\$0.00	\$0.00	***
6"	0.00	0.00	***
8"	0.00	0.00	***
10"	0.00	0.00	***
Larger than 10"	0.00	0.00	***

* Per A.A.C. R14-2-403.B

** Months off system times the minimum (R14-2-403.D)

*** 1.0% of Monthly Minimum for a Comparable Sized Meter Connection, but no less than \$5.00 per month. The Service Charge for Fire Sprinklers is only applicable for service lines separate and distinct from the primary water service line.

11. Willow Lakes' Fair Value Rate Base ("FVRB") is determined to be \$128,237. The Company's FVRB is the same as its OCRB.

12. Staff's adjustments to rate base, revenues and expenses, as reflected in the Staff Report, are reasonable. Staff recommended a 2.5 percent composite depreciation rate based on Engineering Staff's recommended depreciation rates for the various plant categories.

13. Willow Lakes received a loan in the amount of \$100,000 and a grant in the amount of \$280,000, from the United States Department of Agriculture–Rural Development ("Rural Development") for the purpose of upgrading its system, including renovating Wells Nos. 1 and 2, installing three well pumps and meters, two booster pumps, a 5,000 gallon hydroneumatic tank, electric switch gear, yard piping and accessories, 50 service water meters, and 10,000 feet of 4 inch and 6 inch PVC pipe.

14. The Rural Development loan is for a term of 40 years at an interest rate of 4.39 percent annually.

15. Willow Lakes did not request Commission approval for the Rural Development loan in advance of receiving the loan.

16. Staff recommended retroactive approval of the loan because the improvements are needed to replace inoperative meters and aging mains and to activate a second well to provide

1 additional backup and allow for maintenance of the storage tank. Engineering Staff believed the
2 estimated costs of the projects were reasonable.

3 17. The Company did not have water usage data because all of its well meters and
4 customer meters were inoperable.¹ Because the Company's customer meters were inoperable, the
5 Company charged its customers the monthly minimum of \$25. The Company estimates a median
6 usage of 3,596 gallons. Based on the estimated median usage, the Company's proposed rates would
7 increase the median 5/8 inch meter monthly bill by 100 percent from \$25.00 to \$50.00.

8 18. Based on the estimated monthly median usage of 3,596 gallons, Staff's recommended
9 rates would increase the median 5/8 inch meter monthly bill by 74.8 percent, from \$25.00 to \$43.70

10 19. Staff's recommended rates and charges produce revenue sufficient to provide a Debt
11 Service Coverage of 1.75 and a Times Interest Earned Ratio of 1.04 percent. After debt service costs,
12 the Company would have an annual cash flow of approximately \$3,000. Staff recommended its
13 proposed rates and charges be granted without a hearing.

14 20. Given the Company's access to grant money from Rural Development to make system
15 upgrades, Staff's recommended revenue and cash flow should be sufficient to allow the Company to
16 provide adequate service to its customers. Staff's recommended rates and service charges are
17 reasonable and should be adopted.

18 21. Willow Lakes is current on all property and sales taxes.

19 22. Willow Lakes is in compliance with Arizona Department of Environmental Quality
20 ("ADEQ") regulations and is providing water that meets the quality standards of the Safe Drinking
21 Water Act.

22 23. Staff further recommended that:

23 (a) Willow Lakes file a rate review application after 12 consecutive months of meter
24 readings;

25 (b) In the future, Willow Lakes file applications for approval of long-term financing as
26 required by Commission regulations; and

27
28 ¹ The Company has now replaced all of its meters.

(c) Willow Lakes collect from its customers their proportionate share of any Privilege, Sales or Use Tax as provided for in A.A.C. R14-2-409.D.

CONCLUSIONS OF LAW

1. Willow Lakes is a public service corporation within the meaning of Article XV of the Arizona Constitution and A.R.S. §§40-250, 40-251, 40-301 and 40-302.

2. The Commission has jurisdiction over Willow Lakes and of the subject matter of the application.

3. Notice of the application was provided in the manner prescribed by law.

4. The rates and charges authorized herein are just and reasonable and should be approved without a hearing.

5. The financing approved herein is for lawful purposes within Willow Lakes' corporate powers, is compatible with the public interest, with sound financial practices, and with the proper performance by Willow Lakes of service as a public service corporation, and will not impair Willow Lakes' ability to perform that service.

6. The financing approved herein is for the purposes stated in the application and is reasonably necessary for those purposes, and such purposes are not, wholly or in part, reasonably chargeable to operating expenses or to income.

7. The recommendations set forth in Findings of Fact Nos. 16, 19 and 23 are reasonable and should be adopted.

ORDER

IT IS THEREFORE ORDERED that Willow Lakes Property Owners Association, Inc. shall file on or before April 30, 2001, the following schedule of rates and charges:

Monthly Usage Charges

5/8" x 3/4" Meter	\$25.00
3/4" Meter	37.50
1" Meter	62.50
1 1/2" Meter	125.00
2" Meter	200.00
3" Meter	375.00
4" Meter	625.00
6" Meter	1,250.00

Commodity Rate

Per 1,000 gallons	\$5.20
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Service Line and Meter Installation Charges

(Refundable pursuant to A.A.C. R14-2-405)

5/8" x 3/4" Meter	\$100.00
3/4" Meter	120.00
1" Meter	160.00
1 1/2" Meter	300.00
2" Meter	400.00
3" Meter	500.00
4" Meter	600.00
6" Meter	800.00

Service Charges

Establishment	\$50.00
Establishment (After Hours)	75.00
Reconnection (Delinquent)	25.00
Meter Test (If Correct)	25.00
Deposit	*
Deposit Interest – Per Annum	*
Re-Establishment (Within 12 Months)	**
NSF Check	20.00
Deferred Payment – Per Month	1.5%
Meter Re-Read (If Correct)	10.00

Monthly Service Charge for Fire Sprinkler

4" or smaller	***
6"	***
8"	***
10"	***
Larger than 10"	***

* Per A.A.C. R14-2-403.B

** Months off system times the minimum (R14-2-403.D)

*** 1.0% of Monthly Minimum for a Comparable Sized Meter Connection, but no less than \$5.00 per month. The Service Charge for Fire Sprinklers is only applicable for service lines separate and distinct from the primary water service line.

IT IS FURTHER ORDERED that the above rates and charges shall be effective for all service provided on and after May 1, 2001.

IT IS FURTHER ORDERED that Willow Lakes Property Owners Association, Inc. is hereby authorized to borrow up to \$100,000 from United States Department of Agriculture – Rural

1 Development for a term 40 years at an interest rate not to exceed 4.39 percent annually.

2 IT IS FURTHER ORDERED that Willow Lakes Property Owners Association, Inc. is hereby
3 authorized to engage in any transactions and to execute any documents necessary to effectuate the
4 authorization granted hereinabove.

5 IT IS FURTHER ORDERED that such authority is expressly contingent upon Willow Lakes
6 Property Owners Association, Inc. use of the proceeds for the purposes set forth in its application.

7 IT IS FURTHER ORDERED that approval of the financing set forth hereinabove does not
8 constitute or imply approval or disapproval by the Commission of any particular expenditure of the
9 proceeds derived thereby for purposes of establishing just and reasonable rates.

10 IT IS FURTHER ORDERED that if not already filed, Willow Lakes Property Owners
11 Association, Inc. shall file copies of all executed financing documents setting forth the terms of the
12 financing, within 30 days of the date of this Decision.

13 IT IS FURTHER ORDERED that Willow Lakes Property Owners Association, Inc. shall
14 notify its customers of the rates and charges authorized herein and the effective date of same by
15 means of an insert in its next regular monthly billing.

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1 IT IS FURTHER ORDERED that Willow Lakes Property Owners Association, Inc. shall
2 comply with the recommended depreciation rates discussed in Finding of Fact No. 12 and detailed in
3 the Staff Report and shall comply with the recommendations set forth in Findings of Fact No. 23.

4 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

5 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

6
7
8 CHAIRMAN

COMMISSIONER

COMMISSIONER

9
10 IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive
11 Secretary of the Arizona Corporation Commission, have
12 hereunto set my hand and caused the official seal of the
13 Commission to be affixed at the Capitol, in the City of Phoenix,
14 this ____ day of _____, 2001.

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16 BRIAN C. McNEIL
17 EXECUTIVE SECRETARY

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1 SERVICE LIST FOR:

WILLOW LAKES PROPERTY OWNERS
ASSOCIATION, INC.

2
3 DOCKET NO.:

W-02173A-00-0974

4 Cheryl Fleming, Treasurer
Willow Lakes Property Owners Association, Inc.
5 P.O. Box 875
Benson, Arizona 85602

6 Christopher Kempley, Chief Counsel
ARIZONA CORPORATION COMMISSION
7 1200 W. Washington Street
Phoenix, Arizona 85007

8
9 Deborah Scott, Director
Utilities Division
ARIZONA CORPORATION COMMISSION
10 1200 W. Washington Street
Phoenix, Arizona 85007
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